

ABSTAINERS' INSURANCE COMPANY

ELEVENTH ANNUAL REPORT 1956/1967

AR05

GROWTH FACTS

The Company commenced business October 1, 1956 and now insures over 25,000 automobiles in the provinces of Ontario, Alberta and Manitoba.

GROSS PREMIUMS WRITTEN

1961	\$ 316,793
1964	626,297
1967	2,037,570
Total 1956-1967	\$6,896,411

CLAIMS INCURRED

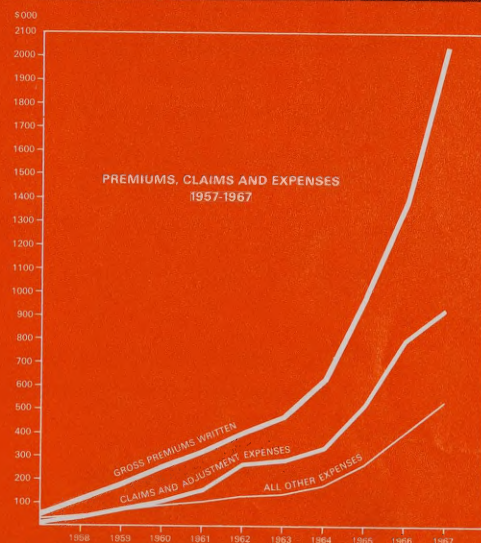
1961	\$ 158,704
1964	340,197
1967	960,518
Total 1956-1967	\$3,538,736

TOTAL ASSETS

1961	\$ 359,040
1964	728,999
1967	2,848,443

SURPLUS FOR THE PROTECTION OF POLICYHOLDERS

1961	\$ 176,688
1964	263,999
1967	1,188,238





ABSTAINERS' INSURANCE COMPANY

(Incorporated under the laws of the Province of Ontario)

Simcoe, Ontario

BALANCE SHEET

as at December 31, 1967 (with comparative figures for 1966)

ASSETS

Cash	
Investments — at amortized cost (market value — \$2,607,508)	
Canadian government and municipal bonds	\$539,401
Other bonds and debentures	952,443
Preference stocks	802,592
Common stocks	319,504

Net premiums receivable	48,778
Accrued interest on investments	19,000
Special Refundable Corporation Tax	1,341
Trust funds for claims of previous reinsurers	40,361

On behalf of the Board:

R. B. HARE, Director

P. L. WILSON, Director

The notes to the financial statements form an integral part of the statements.

Total Admitted Assets

1967

1966

\$ 125,023

\$ 42,504

2,613,940

1,740,140

48,778

31,975

19,000

14,184

1,341

1,352

40,361

18,190

\$2,848,443

\$1,848,345

LIABILITIES

Provision for unsettled claims and adjustment expenses
Unearned premiums at 85%
Accounts payable and accrued charges
Advance premiums
Reinsurance premiums payable
Corporation income taxes payable
Provision for unsettled claims of previous reinsurers for which trust funds are maintained
Total Liabilities

CAPITAL STOCK and SURPLUS

Capital Stock (Notes 1 and 2)

Authorized:

2,000 5% cumulative preference
each redeemable at par
150,000 common shares at \$2 ea

Issued and Fully Paid:

2,000 preference shares
62,717 common shares — 17,638
for cash during the year

Contributed Surplus — premium on
capital stock (Note 1)

Earned Surplus

Surplus for the Protection of Policyholders

AUDITORS' REPORT

To the Shareholders of Abstainers' Insurance Company:

We have examined the balance sheet of Abstainers' Insurance Company as at December 31, 1967 and the statement of profit and loss and earned surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We examined the calculation of the reserve for unearned premiums and the provision for unsettled claims and adjustment expenses as at the above date and are satisfied that they are adequate.

In our opinion these financial statements present a true and fair view of the financial position of the company as at December 31, 1967 and the results of its operations for the year then ended, with generally accepted accounting principles applied throughout the preceding year.

Simcoe, Ontario, January 30, 1968

STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

For the Year ended December 31, 1967
(with comparative figures for the year 1966)

	1967	1966		1967	1966
Written premiums (less reinsurance)	\$ 610,517	\$ 483,095	Written premiums (less reinsurance)	\$1,958,230	\$1,434,269
Earned premiums	759,528	557,478	Earned premiums	\$1,756,180	\$1,264,513
Claims and adjustment expenses	61,763	33,608	Claims and adjustment expenses	\$ 960,518	\$ 774,641
All other expenses	17,609	16,014	All other expenses	541,693	391,432
Net underwriting profit	60,887	40,196	Net underwriting profit	\$1,502,211	\$1,166,073
Income from investments less interest earned on trust funds and investment counsel expense	109,540	48,399	Income from investments less interest earned on trust funds and investment counsel expense	\$ 253,969	\$ 98,440
Profit from sale of investments	40,361	18,190	Profit from sale of investments	100,774	64,049
Net profit before taxes on income	\$1,660,205	\$1,196,980	Net profit before taxes on income	\$ 358,830	\$ 167,103
Corporation income tax provision			Corporation income tax provision	140,986	51,187
Net profit for the year			Net profit for the year	\$ 217,844	\$ 115,916
Earned surplus — January 1st			Earned surplus — January 1st	223,877	142,728
Increase in opening unearned premium provision			Increase in opening unearned premium provision	\$ 441,721	\$ 258,644
Dividends paid on preference shares			Dividends paid on preference shares		\$ 22,807
Dividends paid on common shares			Dividends paid on common shares	10,000	10,000
Earned Surplus — December 31st			Earned Surplus — December 31st	13,041	1,960
				\$ 23,041	\$ 34,767
				\$ 418,680	\$ 223,877

Notes to the Financial Statements:

- The changes in common share capital and contributed surplus during the year are summarized hereunder:

	Number of Shares	Par Value	Contributed Surplus
Shares issued from prior year's offering			
— at \$12.50 each	6,921	\$ 13,842	\$ 72,670.50
— at \$18.00 each	275	550	4,400.00
Shares issued through the exercise of rights issued to shareholders — at \$24.00 each	10,442	20,884	229,724.00
Increase during the year — for cash	17,638	\$ 35,276	\$306,794.50
Balance — January 1st 1967	45,079	90,158	137,329.50
Balance — December 31st 1967	62,717	\$125,434	\$444,124.00

- Under an employee stock option plan 590 shares may be purchased prior to December 15, 1968 at a price of \$24.
- The total remuneration received during the year by the directors was \$3,900.

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ns for the year then ended, in accordance
d on a basis consistent with that of the

ERS, SAVAGE, HORNE & RONSON
Chartered Accountants

519-426.5351

Report to Shareholders

You will be interested to learn that during 1967, our 11th year in business, the Company broke all previous records to date. The financial statement shows that our annual premium income increased by 37 per cent to over \$2 million. The investment portfolio increased by 50 per cent to well over \$2½ million. Profits for 1967 were double those of the previous year.

During the year common shareholders were offered the right to buy one additional common share for each 5 common shares previously held. Subscriptions to this Right's Issue, which were quickly exercised, added \$250,000 to the Company's capital and surplus account for the protection of policyholders.

Premium income in Manitoba increased by 82 per cent in the Company's second full year in that province and 50 per cent in Alberta in our fifth full year there. Agency volume in Ontario was up 42 per cent over 1966.

An interesting development during the year was the establishment of "The 100,000 Club" for those agents whose objective is over \$100,000 of premium income in 1968. William McCaul of Eglinton Avenue East, Toronto, produced within \$160 of the \$100,000 in 1967 and will obviously be the first charter member of the Club.

The runners-up in 1967 were Saunders & Schultz Agency in Hamilton with well over \$90,000 of premium income. Ed Saunders and Gord Schultz, who formerly managed Ray C. Edwards Agency, recently purchased the Company themselves.

The John Rieger Agency in Ottawa which was purchased by Clare Shank and Bob Thomas also produced over \$90,000 of business in 1967, and will have no difficulty in qualifying for "The 100,000 Club" in 1968. Harry McClay of Eglinton Avenue West, Toronto, assisted by Murray Bundock produced well over \$80,000 of business in 1967 and should also join the select group this year.

The strongest contender for "The 100,000 Club" in the Western Provinces is Aaron Siemens of Ottawa Agencies in Winnipeg. He produced over \$66,000 of business in his second full year with the Company. His production in 1967 was double that of 1966 and if this happens again in 1968 his agency will produce well in excess of \$100,000 in premiums.

We expect that the membership in this Club will grow rapidly as it is the policy of the Company to develop a small number of high-quality agents, rather than appointing a large agency force. We still have only about 90 agencies in the three provinces. *? ont, alba mon*

The most outstanding development within the Company in 1967 was the organization of a fire and personal property department for private residences under the direction of Casper Boom who has had many years of supervisory experience in these lines. The premium income for this department for the last quarter of the year in the Province of Ontario only was comparatively small at a little over \$13,000. However now that we have secured our licence for the new lines in both Alberta and Manitoba as of January 1, 1968 we are looking for substantial growth in this department during the current year.

The excellent results achieved by the Company during the last few years is reflected in the lower rate schedules which now prevail. The Company increased the differential between the rates and those of most other companies for 1968. This will make it more difficult to grow as much percentage-wise in the current year as the difference in rates must be made up first but we nevertheless look for at least a 25 per cent growth in automobile insurance premium in 1968 plus a very substantial growth in the fire and personal property lines.

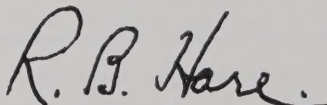
Improvement in our investment income levels will assist the Company in maintaining its record of substantial earnings in the years ahead.

During 1968 the Company will embark upon an advertising campaign in the Ontario and Prairie editions of Reader's Digest which will tell 700,000 subscribers that they can save on their auto insurance if they don't drink. This advertising will be supported by aggressive promotion at the agency level.

The amendments to the Criminal Code proposing the use of the Breathalyzer, which are scheduled to come before the House of Commons this spring, will also provide wide publicity on the subject of drinking and driving, in the press this year; particularly in view of the great success similar legislation achieved in Great Britain in 1967.

Our Members of Parliament should be urged to give this proposed amendment their full support.

Yours faithfully,



R. B. HARE, President.

OFFICERS and DIRECTORS

Directors

S. R. Bernardo ✓
J. H. Disher *Disher*
S. M. Fletcher ✓
R. G. Groom, Q.C. ✓
R. B. Hare, M.D.; F.R.C.S. ✓
J. D. McNie ✓
R. S. Mills, Q.C. ✓
A. M. Waters ✓
J. G. Webb
P. L. Wilson ✓

Officers

R. B. Hare, M.D.; F.R.C.S.
President
R. G. Groom, Q.C.
Vice President
S. R. Bernardo
Vice President
R. S. Mills, Q.C.
Secretary
P. L. Wilson ✓
Treasurer
C. A. Blair
General Manager



ABSTAINERS' INSURANCE COMPANY

24 Peel Street, Simcoe, Ontario

The only company in Ontario, Manitoba and Alberta providing automobile and fire insurance exclusively to abstainers